

To the Members of the California State Assembly:

I am returning Assembly Bill 1618 without my signature.

Proponents of this measure claim that it is intended to codify a seven-year old Supreme Court decision relative to how corporations determine their net income for tax purposes. Unfortunately, this bill does not codify the Court's decision, which dealt with facts specific to companies based outside of California. Rather, this bill would impact California-based companies that are not impacted by the Court's decision. As the Franchise Tax Board has correctly implemented the Court's decision for seven years without the need for a legislative change, I cannot support a bill that far exceeds the Court's ruling and disadvantages California businesses.

Sincerely,

Arnold Schwarzenegger